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Audit Of Office Of
Economic Opportunity Legal
Services Program Grant
To Project BRAVO, Incorporated
El Paso, Texas B-130515

**BY THE COMPTROLLER GENERAL
OF THE UNITED STATES**

SEPT. 2, 1971

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-130515

SEP 2 1971

Dear Mr. Perkins:

Pursuant to your request of June 16, 1971, we are enclosing a report on our financial audit of the Office of Economic Opportunity grant to Project BRAVO, Incorporated, to operate a Legal Services program in El Paso County, Texas. Project BRAVO delegated operations of the Legal Services program to the El Paso Legal Assistance Society, El Paso, Texas.

Our audit, which included an examination into selected financial transactions and internal controls for the period September 1, 1970, to May 31, 1971, showed that expenditures of grant funds, for the most part, had been for authorized purposes. There had been some deviations, however, from Office of Economic Opportunity policies and instructions relating to (1) personnel, payroll, leave, and time and attendance reports and (2) authorization and documentation of travel. We noted that expenses of the current grant year had been improperly charged against prior year's grant.

We brought these deviations to the attention of the society's officials, who stated that corrective action would be taken.

We plan to make no further distribution of this report unless copies are specifically requested, and then we shall make distribution only after your agreement has been obtained or public announcement has been made by you concerning the contents of the report.

Sincerely yours,


Comptroller General
of the United States

Enclosures - 2

The Honorable Carl D. Perkins
House of Representatives

AUDIT OF
OFFICE OF ECONOMIC OPPORTUNITY
LEGAL SERVICES PROGRAM GRANT
TO
PROJECT BRAVO, INCORPORATED

INTRODUCTION

Pursuant to a congressional request dated June 16, 1971, the General Accounting Office audited the records pertaining to a grant to Project BRAVO, Incorporated, the El Paso Community Action Agency, for operation of a Legal Services program in El Paso County, Texas. The grant of \$120,290 was made under section 222 of the Economic Opportunity Act of 1964, as amended (42 U.S.C. 2809), by the Office of Economic Opportunity (OEO) for the period September 1, 1970, to August 31, 1971. Project BRAVO delegated operations of the Legal Services program to the El Paso Legal Assistance Society, El Paso, Texas.

Our audit was made during June and July 1971 at the society's office in El Paso, Texas, and at OEO headquarters office in Washington, D.C., and was directed toward determining whether grant funds had been expended in accordance with financial conditions of the grant and applicable OEO policies and instructions. 957

We examined the El Paso Legal Assistance Society's records and examined into financial transactions for the period September 1970 through May 1971. Our test of financial transactions covered about \$25,000, including non-Federal contributions of about \$4,000, of the expenditures of \$107,623 during the 9-month period ended May 31, 1971.

Our review did not encompass a determination as to whether the activities of the society were being carried out in accordance with objectives of the authorizing legislation and with OEO policies.

As of May 31, 1971, the society's personnel consisted of five lawyers, two secretaries, one administrative assistant, and one bookkeeper-receptionist. It also included two VISTA volunteers, one Neighborhood Youth Corps enrollee, one youth whose salary was being paid from private funds, and two lawyers whose salaries were being paid by the Reginald Heber Smith Community Lawyer Fellowship Program. Howard

University Law School operates this program, which is funded by OEO at about \$5.4 million annually, to recruit, train, and place young graduate lawyers in Legal Services programs throughout the country.

Although the officials of OEO and the society have not been given an opportunity to examine and comment formally on this report, the findings were discussed with representatives of the society.

AUDIT RESULTS

Our audit of financial transactions revealed that expenditures of grant funds, for the most part, had been for authorized purposes. There had been some deviations from OEO policies and instructions, however, which we brought to the attention of society officials.

OEO's Audit Division made an audit of Project BRAVO during the current program year, including certain aspects of the society's activities. Although the Audit Division's report dated March 26, 1971, indicated that the accounting system and internal controls of the society were adequate, the auditors commented on a number of procedural weaknesses and made recommendations for correcting them.

The last audit of the society by a certified public accountant (CPA) was made for the program year ended August 31, 1970. In his report dated September 18, 1970, the CPA stated that the society's accounting system and internal controls were adequate.

PERSONNEL MATTERS

OEO instructions require grantees to maintain (1) a record of all personnel actions, (2) records for each employee showing balances for annual leave, sick leave, and compensatory time, and (3) time and attendance reports to substantiate payroll costs.

Our audit of payroll expenditures of about \$18,000 of the total payroll expenditures of \$76,616 for the period September 1, 1970, through May 31, 1971, showed certain weaknesses in documentation and procedures, which should be corrected.

OEO instructions require that starting salaries of new employees paid over \$5,000 annually be limited to an increase of 20 percent over their prior salary, or \$2,500, whichever is less, unless OEO approval to exceed the limit is obtained.

OEO's Audit Division stated that it could not determine the society's compliance with OEO guidelines regarding starting salaries of employees, because personnel folders, which should contain such information as prior salaries of the employees, were incomplete or were missing. The report contained a recommendation that adequate personnel folders be established for employees.

Although personnel folders had been established for current employees at the time we started our review, the folders did not contain data on their prior salaries. We were therefore unable to determine whether starting salaries were within OEO limitations. We did obtain information, however, on salaries paid by the El Paso county attorney's office and found that the salaries paid by the society were comparable.

According to society procedures, salary increases were initiated by the society's executive director and approved by its board of directors. We were able to verify that all increases had been within OEO salary limitations and, with one exception, had been approved by the board. The exception was the result of a procedural oversight. We did find that documentation on salary increases, however, had not been filed in the employees' personnel folders.

We noted the following weaknesses in the society's procedures and practices relating to leave records: (1) records did not show current balances of employees' annual, sick, or other types of leave, (2) formal procedures had not been established for the approval of leave, (3) leave records were not designed to readily provide leave information, and (4) leave records had not been prepared for two employees.

For two former employees, we were unable to determine whether the amounts paid for accumulated leave had been accurately computed because of the poor condition of the leave records. The payments totaled about \$600 for both employees, and only the payment of \$400 to one of the former employees had been approved by the executive director.

The following deficiencies relate to the preparation of time and attendance reports: (1) time and attendance reports for one period were not signed by the executive director, (2) time and attendance reports for two employees did not agree with their leave records which indicated that they had taken leave, and (3) the time and attendance report for one employee who was paid for working 40 hours showed that he had worked only 24 hours.

The executive director agreed with our findings and said that action would be taken to determine the validity of payments to employees and to improve the preparation of leave records and time and attendance reports.

TRAVEL EXPENSES

OEO instructions require full documentation of all travel expenses and adherence by grantees and delegate agencies to the Standardized Government Travel Regulations.

Our examination of travel expenditures of about \$600, selected from the total travel expenditures of \$1,320 for the period September 1, 1970, through May 31, 1971, showed that the society had not followed certain administrative practices required by the regulations relating to the authorization and documentation of travel.

Reimbursements by the society for travel expenses were not prepared on the basis of travel authorization and expense forms prescribed by OEO for out-of-town travel. Consequently the travel expense forms used did not contain all the information required, such as departure and arrival times which were necessary for the computation and verification of per diems. By checking airline tickets or hotel bills included in the travel files, however, we were able to determine that the amounts of per diem paid were about what they should have been.

The OEO audit completed prior to our review had disclosed similar problems in travel voucher preparation. To correct this situation, the executive director issued an instruction requiring that employees show arrival and departure times and that per diem be computed on a quarter-day basis. We noted, however, that the instruction had not been adhered to in the one instance of travel that had occurred after its issuance.

The executive director said that he would take corrective action to ensure that future travel would be formally authorized and adequately supported.

EXPENSE OF CURRENT GRANT YEAR
CHARGED AGAINST PRIOR-GRANT-YEAR FUNDS

Rent amounting to \$2,400 for the first 3 months of the current program year (September, October, and November 1970) had been prepaid near the end of the prior program year with that year's funds. This resulted in an improper charge of \$2,400 to the grant for the prior year.

The executive director agreed this should not have been done and stated that probably funds had been available at the end of the prior program year that were used for this purpose by the then-executive director. We referred this matter to OEO for resolution.

EL PASO LEGAL ASSISTANCE SOCIETY
PROGRAM BUDGET FOR YEAR ENDING
AUGUST 31, 1971, AND RECORDED EXPENDITURES
INCURRED THROUGH MAY 31, 1971

<u>Expense Category</u>	<u>Program budget</u> <u>9-1-70 to 8-31-71</u>		<u>Recorded expenditures</u> <u>9-1-70 to 5-31-71</u>	
	<u>Federal</u>	<u>Non-Federal</u>	<u>Federal</u>	<u>Non-Federal</u>
Salaries and related costs	\$98,982	\$31,010	\$76,616	\$14,370
Consultants and contract services	500	-	566	-
Travel	1,275	-	1,320	-
Space costs and rental	9,600	-	4,800 ^a	-
Consumable supplies	2,400	-	2,569	-
Rental, lease, and purchase of equipment	1,983	-	1,627	-
Other costs	<u>5,550</u>	<u>-</u>	<u>5,755</u>	<u>-</u>
Total	<u>120,290</u>	<u>31,010</u>	<u>93,253</u>	<u>14,370</u>
Total Federal and Non-Federal	<u>\$151,300</u>		<u>\$107,623</u>	

^a Does not include \$2,400 charged against prior year's grant that should have been charged against current-grant-year funds.